

## CHAPTER 2

### ARTICLE 4 —CAPITAL OUTLAY

*Revised June 11, 2002*

#### **21040.1 Policy**

In order to identify capital improvement needs and plan for the funding and accomplishment of this activity, the California Department of Corrections (CDC) annually prepares a five-year plan for these improvements along with a project plan for the budget year (i.e., year one of the five-year plan).

#### **21040.2 Purpose**

This article outlines CDC's Facilities Management Division's (FMD) procedures and guidelines for development and submission of the five-year capital improvement plan and construction projects for approval.

#### **21040.3 Authorization**

Projects included in the Budget Act and any other legislation are authorized for planning, design, and construction in accordance with the effective date of the authorizing legislation.

#### **21040.4 Responsibility**

The FMD shall maintain CDC's five-year plan for major construction projects and direct the planning, design, and construction of all projects authorized by the legislature. Penal Code (PC) Section 7000 authorizes CDC to prepare plans for and construct facilities and renovations included within its Five- Year Infrastructure Plan. The CDC may transfer the responsibility for undertaking any aspect of the plan to the Department of General Services (DGS).

##### **21040.4.1 Request for Project Undertaking by State Agency**

The FMD may delegate the completion of funded projects subject to the Department Operations Manual, Section 21040.4, to a CDC facility. All projects to be undertaken by a facility require approval from DGS using a Standard (STD) Form 23, Request for Project Undertaking by State Agency, applicable to undertake projects from \$120,000 to \$400,000 excluding those projects authorized for completion by the Inmate Day Labor (IDL) program or those CDC undertakes under the authority of PC 7000.

*Note:* The cost limitation is adjusted upward or downward by the Director of the Department of Finance (DOF) every two years to reflect the percentage change in the California Construction Cost Index (CCCI) as used by DGS. For purposes of compliance with this section, the current cost limitation can be obtained by contacting the Capital Outlay Section of FMD.

#### **21040.5 Definitions**

The following definitions are included as a guide, but any definitions in statute shall supercede the definitions in this article.

##### **Major Capital Outlay**

Major capital outlay projects include the following:

- Any real property acquisition including the exercise of a lease purchase option.
- New construction, extension, or betterment in excess of \$400,000.
- Fixed and movable equipment necessary for the initial occupancy of a new facility.

##### **Minor Capital Outlay**

Capital outlay construction projects estimated to cost \$400,000 or less.

##### **Special Repairs**

Repair projects that, irrespective of cost, continue the usability of a facility at its designed level of services are termed special repairs. The nature of these repair projects is considered extraordinary, either in amount or occurrence, and extends the life of the facility or infrastructure.

##### **Alterations**

Any modification to a State building that changes the use of the building in function, layout, capacity, or quality is an alteration. New construction may be considered an alteration. Typical alterations include the demolition and construction of new walls and additions up to the limits in Section 6.00 of the Budget Act (Section 6).

##### **Maintenance**

Maintenance projects are intended to keep structures, grounds, equipment, and facilities within acceptable standards of structural condition, appearance, and utility.

##### **Budget Package**

A budget package consists of schematic drawings, outline specifications, and a cost estimate. Packages shall be descriptive to convey accurately the location, scope, cost, and nature of the improvement being proposed.

##### **Preliminary Plan**

The preliminary plan includes site plan, architectural floor plans, elevations, outline specifications, and cost estimate. For each utility, site development, conversion, and remodeling project, the drawings shall be descriptive to convey accurately the location, scope, cost, and nature of the improvement being proposed.

##### **Working Drawing**

Working drawings include a complete set of plans, specifications, and final cost estimate that show/describe all phases of a project (architectural, structural, mechanical, electrical, civil engineering, and landscaping systems) to the degree necessary for accurate bidding by contractors and for the use of artisans in constructing the project. All necessary professional fees and administrative service costs shall be included in the final cost estimate.

##### **Construction**

Construction projects are those that create new or improved real property. A capital outlay project shall include all related items such as fixtures, installed equipment (commonly referred to as Group I equipment), auxiliary facilities, contingencies, project construction management, administration, and associated costs like design and loss of productivity. Group II equipment, movable equipment such as tables and chairs, will be included as necessary and appropriate.

#### **21040.6 Alterations**

Alteration projects shall normally be budgeted in the capital outlay budget category as part of the building construction program. Funds from the State operations' budget category may only be used for alterations if they meet the criteria established under Section 6.00. Pursuant to Section 6.00, no support funds may be used for any project for alteration of a State building requiring total expenditures of \$100,000 or more unless the Director of DOF determines that the proposed alteration is critical and it is necessary to proceed using funds appropriated for support purposes. The maximum cost of any

project undertaken under Section 6.00 authorization shall not exceed \$400,000.

Any construction project estimated to be less than \$1,000, and includes all of the following, may be undertaken by the facility:

- The alterations do not increase program costs and/or personnel year requirements.
- The alterations do not create life, safety, or environmental problems.

#### **21040.7 Development of the Capital Outlay Five-Year Plan for Existing Facilities**

As part of the State's construction program, CDC shall maintain a five-year plan for major construction projects. The plan shall be prepared in accordance with Government Code (GC) Section 13100 and in compliance with directives from DOF, including the following:

- The CDC's projected capital outlay needs for five years beyond the period covered by the latest Governor's Budget.
- Capital Outlay Budget Change Proposal's (COBCP) for each project which CDC wishes to include in the next budget year.
- A listing in priority order of CDC's proposed capital outlay program for the upcoming fiscal year.

*Note:* The plan is prepared annually and may be modified at that time.

##### **February 1**

The CDC's Five-Year Infrastructure Plan shall be submitted to the DOF each February.

#### **21040.8 Preparation of Request for Capital Outlay Projects**

The COBCP's are the formal requests for capital outlay projects submitted for approval in the five-year plan. They should be prepared in sufficient detail to describe the type of improvements requested. A COBCP shall include the following information regarding the project:

- Purpose of the project.
- Relationship to the Strategic Plan.
- A discussion of alternatives.
- The recommended solution and rationale for choosing it.
- A detailed scope description.
- The basis or source of the cost information.
- Description of any impacts to the support budget.
- Identification of any perceived project risks.
- A proposed project schedule that identifies start and completion of the various funding phases (i.e. preliminary plans, study, etc.).
- A detailed cost breakdown.
- A Management Plan (how will the project be accomplished, swing space, etc.)

#### **21040.9 Capital Outlay Timetable**

The following schedule has been established to meet CDC and DOF time frames. A detailed timetable for the current budget cycle shall be developed annually and provided to the facilities. Facilities shall adhere to this annual timetable so that analysis

and processing may occur in an orderly and effective manner within statewide deadlines. Dates on which facilities are required to submit items are the dates for FMD action in order to forward the items to the Director/Chief Deputy Director, Youth and Adult Correctional Agency (YACA), and DOF within the statewide deadlines:

Year One:

##### **March**

The FMD shall issue a "Budget Call Letter" to all facilities requesting the development of budget concept papers for the major and minor capital outlay program and identifying the time frames for the upcoming budget cycle.

##### **April**

Deadline for the receipt of concept papers for all major and minor capital outlay projects.

##### **May**

Capital outlay analysts may conduct on-site reviews of all proposed projects in preparation for project priority setting.

A committee that includes representatives of the Institutions Division, Health Care Services Division, Office of Substance Abuse, Joint Venture Program, and FMD makes project priority recommendations. These recommendations are the basis for determining which projects should be fully developed into COBCP's.

Based on the approved priorities and subject to the availability of funding, facilities are given approval to develop COBCP's.

##### **July**

Deadline for submission of COBCP's to FMD.

##### **September**

Review and discussion of project analysis, recommendations and COBCP's deficiencies are conducted with facility staff.

##### **October**

All final COBCP's are due to FMD.

##### **November**

The FMD recommendations and analysis are submitted to the Directorate to establish the final priority list for CDC's capital outlay program.

##### **January- February 1**

The existing facilities five-year capital outlay plan is submitted to the YACA for approval and then to DOF.

Year Two:

##### **July – August**

Final Approved list of projects submitted to DOF.

##### **September- December**

State Capital Outlay Program Evaluation meetings and review are conducted with DOF. Capital outlay budget hearings are held with DOF, YACA, and CDC to determine which projects will be included in the Governor's budget for the upcoming fiscal year.

##### **January**

The Governor's Budget and Budget Bill are submitted to the Legislature.

##### **February**

The CDC identifies capital outlay projects that were not included in the Governor's Budget, but have become critical.

Justification identifying why the projects are now critical must be included in a Finance Letter submission.

#### **March**

The CDC receives the Legislative Analyst's Office recommendations of the Governor's Budget.

#### **April-June**

Legislative hearings on the Budget Bill are held. During this time, FMD continues to work with DOF and the Legislative Analyst's Office to resolve outstanding issues.

#### **July**

This is the earliest effective date of the Budget Act. Notification of all major and minor capital outlay projects approved in this process is prepared for transmittal to the institutions and other interested programs.

### **21040.10 Project Design**

Project design is the process that converts the concepts outlined in COBCP's into a set of plans and specifications that will allow the project to be constructed. The planning process for major capital outlay projects is divided into two major sections:

- Preliminary plans (or design drawings) include site plans, architectural floor plans, elevations, outline specifications, and cost estimates. This stage in planning is identified in order to review architectural and engineering input to ensure the project still meets facility objectives and is consistent with legislative scope and cost. Preliminary plans shall be reviewed by DOF and approved by the State Public Works Board (SPWB).
- Working drawings (or construction documents) are preliminary plans with full architectural and engineering detail. These plans are developed in sufficient detail to instruct any construction organization how to build the project and identify what materials and equipment must be approved by DOF before any construction can take place.

### **21040.11 Project Construction**

Major capital outlay construction can be accomplished in three ways. All public works not specifically exempted are administered by DGS. Upon approval of working drawings by DOF, they may authorize DGS to bid the project to private contractors. The lowest responsible bidder may then construct the project. The second method of construction utilizes IDL. The IDL utilizes a combination of State staff, trade union labor, and inmates to accomplish the capital outlay project. The IDL requires the approval of DOF, SPWB, and Prison Industries Board and is subject to the availability of resources. A third method that we now have available is under PC 7000 which allows CDC to use new prison construction resources and processes.

### **21040.12 Scope Changes**

After the project is authorized for design and/or construction, it may be necessary for CDC, DGS, or the contractor to add, delete or modify components of the project. If that change significantly modifies the size, shape, assigned space, or physical characteristics of the project, written approval shall be obtained from DOF and the Legislature. Minor capital outlay scope changes only require DOF approval.

### **21040.13 Revisions**

The Deputy Director, FMD, or designee shall be responsible for ensuring that the contents of this article are kept current and accurate.

### **21040.14 References**

PC §§ 2816, 2817, and 7000.

GC §§ 13100, and 13332.11.

SAM §§ 6600 - 6724.

Section 6.00 of the Budget Act.

Public Contracts Code § 10108.